

# OECD/G20 Inclusive Framework on BEPS

Progress report  
September 2021 – September 2022





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## CONTENTS

1. <b>Overview</b>	2	4. <b>Progress on other BEPS Actions</b>	14
<hr/>		4.1 VAT challenges of the digital economy	15
2. <b>Implementation of the Two-Pillar Solution</b>	5	4.2 Actions 8-10 – Transfer Pricing Guidelines and Hard to Value Intangibles	16
2.1 Pillar One	6	4.3 Action 11 – Corporate tax statistics and aggregated and anonymised Country-by-Country reporting data	18
2.2 Pillar Two	7	<hr/>	
<hr/>		5. <b>Support for developing countries</b>	19
3. <b>Implementation of BEPS minimum standards</b>	8	5.1 Developing countries and the Inclusive Framework	20
3.1 Action 5 – Combatting harmful tax regimes	9	5.2 Developing countries' progress on minimum standards peer reviews	22
3.2 Action 6 – Prevention of tax treaty abuse and countering treaty shopping	10	5.3 Supporting the Implementation of the Two-Pillar Solution	23
3.3 Action 13 – Country-by-Country reporting	11		
3.4 Action 14 – Multilateral Agreement Procedures	13		

# 1. Overview

Since the adoption of the Base Erosion and Profit Shifting (BEPS) Action Plan in 2013, and the subsequent adoption of the BEPS package of 15 measures<sup>1</sup> in 2015, there has been a global recognition that the international tax system, which relies on rules developed a century ago, needs fundamental reforms in order to establish coherence, realign substance with taxation rights, and increase transparency. The OECD/G20 Inclusive Framework on BEPS (OECD/G20 Inclusive Framework) has been instrumental in adapting the international tax rules for the 21<sup>st</sup> century.

Since the last progress report of the OECD/G20 Inclusive Framework on the BEPS project, 137 countries and jurisdictions have joined the landmark agreement reached on the 8<sup>th</sup> of October 2021 Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy (Two-Pillar Solution or 2021 October Statement).<sup>2</sup> It represented a major step forward in the reform of the international tax system and the outcome of intensive work carried out under BEPS Action 1 “Addressing the tax challenges arising from the digital economy,”<sup>3</sup> which has been the top priority of the OECD/G20 Inclusive Framework, notably since the establishment of the Two-Pillar approach in January 2019.<sup>4</sup>

Since the agreement on the 2021 October Statement, the OECD/G20 Inclusive Framework has moved to its implementation, with significant progress achieved. On Pillar Two, the Global Anti-Base Erosion (GloBE) Model Rules<sup>5</sup> for the minimum tax were released in December 2021, followed by the related Commentary<sup>6</sup>

in March 2021. The release of the Model Rules and related Commentary enables Inclusive Framework members to begin implementing the rules.

On Pillar One, good progress has also been made, as demonstrated by the release on 11 July 2022 of the Progress Report on Amount A<sup>7</sup> for public consultation, which includes the technical substantive rules required for implementation of the reallocation of taxing rights under Amount A. The novelty of the concepts used in the design of this new taxing right led the OECD/G20 Inclusive Framework to conclude that further deliberation, including with the benefit of further stakeholder input, is needed to properly finalise the design of innovative new rules intended to last for decades. As a result, the OECD/G20 Inclusive Framework, agreed that the work on the Multilateral Convention (MLC) to implement Amount A and the Explanatory Statement is to be completed so that a signing ceremony of the convention can be held in the first half of 2023 for it to come into force in 2024.

Although the efforts of the OECD/G20 Inclusive Framework have been mostly focused on the implementation of the Two-Pillar Solution, steady progress has continued on the other BEPS Actions, notably on the implementation of the minimum standards, which remains an important commitment for members:

- **Action 5** on Harmful Tax Practices - Since the beginning of the BEPS Action 5 peer reviews, the Forum on Harmful Tax Practices (FHTP) has reviewed over 300 preferential regimes and the legislation of

1. <https://www.oecd.org/tax/beps/beps-actions/>

2. OECD (2021), *Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy – October 2021*, OECD/G20 Inclusive Framework on BEPS, OECD, Paris, <https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.pdf>

3. <https://www.oecd.org/tax/beps/beps-actions/action1/>

4. OECD (2019), *Addressing the Tax Challenges of the Digitalisation of the Economy – Policy Note, G20/OECD Inclusive Framework on BEPS*, OECD, Paris, <https://www.oecd.org/tax/beps/policy-note-beps-inclusive-framework-addressing-tax-challenges-digitalisation.pdf>

5. OECD (2021), *Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS*, OECD, Paris, <https://www.oecd.org/tax/beps/tax-challenges-arising-from-the-digitalisation-of-the-economy-global-anti-base-erosion-model-rules-pillar-two.htm>

6. OECD (2022), *Tax Challenges Arising from the Digitalisation of the Economy – Commentary to the Global Anti-Base Erosion Model Rules (Pillar Two)*, OECD, Paris, <https://www.oecd.org/tax/beps/tax-challenges-arising-from-the-digitalisation-of-the-economy-global-anti-base-erosion-model-rules-pillar-two-commentary.pdf>

7. OECD (2022), *Progress Report on Amount A of Pillar One, Two-Pillar Solution to the Tax Challenges of the Digitalisation of the Economy, OECD/G20 Base Erosion and Profit Shifting Project*, OECD, Paris <https://www.oecd.org/tax/beps/progress-report-on-amount-a-of-pillar-one-july-2022.pdf>

12 no tax or only nominal tax jurisdictions to determine whether they meet the substantial activities requirements.<sup>8</sup> In addition, over 41 000 exchanges of information on tax rulings have occurred between governments to date, with peer reviews covering 131 jurisdictions. On the implementation of the Action 5 minimum standard on exchange of tax ruling information. Furthermore, in April 2022, the FHTP concluded its first annual monitoring of the effectiveness in practice of the substantial activities requirements in no or only nominal tax jurisdictions.

- **Action 6** on Tax Treaty Abuse – In March 2022, the fourth peer review report on the implementation of the Action 6 minimum standard to prevent treaty shopping, was released.<sup>9</sup> The report shows that the level of compliance has more than doubled since last year. The report also shows that around 2 300 of 2 400 tax treaties concluded between the OECD/G20 Inclusive Framework members should become compliant with the minimum standard in a near future. Most OECD/G20 Inclusive Framework members are relying on the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI) to implement Action 6. To date, 99 jurisdictions have signed the MLI covering around 1 850 bilateral tax treaties (with 77 jurisdictions having already ratified it, covering 940 treaties).<sup>10</sup>
- **Action 13** on Country-by-Country (CbC) reporting – In October 2021, the fourth phase of peer reviews under the Action 13 minimum standard regarding CbC reporting was released.<sup>11</sup> It shows that the implementation of CbC reporting is well underway and tangible progress has been made on multiple fronts, with more jurisdictions introducing domestic

legislation to require CbC reporting, and those with existing legislation taking steps to put exchange relationships in place and address recommendations from earlier peer reviews. Furthermore, the report found that 84 jurisdictions have provided sufficiently detailed information to enable the OECD/G20 Inclusive Framework to obtain assurance that measures are in place to ensure the appropriate use of CbC reports. However, and as identified in the 2021 stock-take report *Developing Countries and the OECD/G20 Inclusive Framework on BEPS*<sup>12</sup> sent to the G20 (thereafter “the 2021 stock-take report to the G20”), developing countries continue facing significant challenges in meeting the CbC reporting requirements and only a few of them are currently able to receive CbC reports from abroad.

- **Action 14** on Mutual Agreement Procedure – This minimum standard is critical to ensuring that tax disputes are resolved in a timely, effective and efficient manner. In total, 82 jurisdictions have been reviewed under the two-stage approach established for the peer review and monitoring of the implementation of the Action 14 minimum standard, with the latest batch of reports (Stage 2 Monitoring) approved by the FTA MAP Forum in June 2022.

In addition to the positive outcomes highlighted above as a result of the implementation of the four BEPS minimum standards, progress on other BEPS actions has been made as well, as demonstrated in Part 4 of this report. In this regard, the release of the 2022 edition of the OECD Transfer Pricing Guidelines, which consolidated the changes made to the 2017 edition and approved by the OECD/G20 Inclusive Framework since 2017, has been an important milestone.

8. Anguilla, Bahamas, Bahrain, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Guernsey, Isle of Man, Jersey, Turks and Caicos Islands, United Arab Emirates.

9. OECD (2022), *Prevention of Tax Treaty Abuse – Fourth Peer Review Report on Treaty Shopping: Inclusive Framework on BEPS: Action 6*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/3dc05e6a-en>


10. See: <http://oe.cd/mli>

11. OECD (2021), *Country-by-Country Reporting – Compilation of 2021 Peer Review Reports: Inclusive Framework on BEPS: Action 13*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/73dc97a6-en>.

12. OECD (2021), *Developing Countries and the OECD/G20 Inclusive Framework on BEPS: OECD Report for the G20 Finance Ministers and Central Bank Governors*, October 2021, Italy, OECD, Paris, <https://www.oecd.org/tax/beps/developing-countries-and-the-oecd-g20-inclusive-framework-on-beps.htm>

The effective implementation of the BEPS Package, as well as the Two-Pillar Solution, remains crucial for developing countries to mobilise domestic resources, in particular in the light of the impact of the COVID-19 pandemic and the global economic repercussions of Russia's war against Ukraine on fiscal positions. The OECD/G20 Inclusive Framework has already started to implement the recommendations of the 2021 stock-

take report to the G20, notably to ensure a broad and systematic inclusion of developing countries. In order to strengthen the voice of developing countries, Marlene Nembhard-Parker of Jamaica was elected as its inaugural co-chair. Developing countries also continue to benefit from targeted technical assistance, notably to help them participate in the technical work on the Two-Pillar Solution, and bilateral capacity building programmes.



## 2. Implementation of the Two-Pillar Solution



The landmark agreement reached on 8 October 2021 on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy<sup>1</sup> has been joined by 137 countries and jurisdictions.

## 2.1. PILLAR ONE

Pillar One aims to ensure a fairer distribution of taxing rights among countries with respect to the largest and most profitable multinational enterprises. It will reallocate taxing rights over a portion of the residual profits of MNEs (Amount A) to the market countries and jurisdictions where they have business activities, regardless of whether they have a physical presence there. Specifically, multinational enterprises with global revenues above EUR 20 billion and profitability above 10% will be covered by the new rules, with 25% of profit above the 10% threshold to be reallocated to market jurisdictions using an innovative, formulaic approach.

Pillar One also calls for a simplified and streamlined application of the arm's length principle to some in-country baseline marketing and distribution activities (Amount B).

### 2.1.1 Progress to date

Significant progress has been made on the design of the technical rules for the reallocation of taxing rights under Amount A. These rules will serve as the substantive basis for negotiating the Multilateral Convention (MLC) through which Amount A will be implemented. These rules are being developed at a rapid pace by the OECD/G20 Inclusive Framework members, taking into account the valuable stakeholder input received during the rolling public consultations on various building blocks of Amount A.<sup>2</sup>

On 11 July 2022, a Progress Report on Amount A by the Secretariat was released for public consultation.<sup>3</sup> It reflects the agreement of the OECD/G20 Inclusive Framework that a few Amount A building blocks merit

further deliberation. The Cover Note by the OECD/G20 Inclusive Framework to the Progress Report on Amount A recognises that it is important to balance the political interest in swift implementation with the need to properly finalise the design of innovative new rules, which are intended to last. The Progress Report sets out the core operative provisions on Amount A, presented in the form of domestic rules, and reflects the work undertaken since the release of the October 2021 Statement.

Good progress has been made on Amount B, which is a simplified and streamlined application of the arm's length principle to some in-country baseline marketing and distribution activities. Amount B is expected to be delivered by year-end and will also benefit from a public consultation.

### 2.1.2 Next steps

As reflected in the Cover Note to the Progress Report on Amount A, the OECD/G20 Inclusive Framework agreed on 1 July, to seek stakeholder feedback on the Progress Report on Amount A by 19 August 2022, followed by a public consultation meeting in September. Drawing on the outcomes of the public consultation process, the OECD/G20 Inclusive Framework will seek to stabilise the rules at its meeting on 6-7 October 2022. The work on the detailed provisions of the MLC and its Explanatory Statement are expected to be completed so that a signing ceremony of the MLC can be held in the first half of 2023, with the objective a 2024 entry into force, once a critical mass of jurisdictions, as defined by the MLC, have ratified it.

The draft rules on the streamlined administration process for the new taxing right, including the provisions related to the innovative tax certainty processes, will be included in a separate report to be released before the OECD/G20 Inclusive Framework Plenary meeting in October 2022.

1. OECD (2021), *Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy – October 2021*, OECD/G20 Inclusive Framework on BEPS, OECD, Paris, <https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.pdf>

2. <https://www.oecd.org/tax/planned-stakeholder-input-in-oecd-tax-matters.htm>

3. OECD (2022), *Progress Report on Amount A of Pillar One, Two-Pillar Solution to the Tax Challenges of the Digitalisation of the Economy, OECD/G20 Base Erosion and Profit Shifting Project*, OECD, Paris, <https://www.oecd.org/tax/beps/progress-report-on-amount-a-of-pillar-one-july-2022.pdf>





## 2.2 PILLAR TWO

Pillar Two consists of the Global Anti-Base Erosion (GloBE) Rules and a treaty-based Subject to Tax Rule (STTR). The GloBE Rules introduce a 15% global minimum tax that applies to MNE groups with consolidated revenues of at least EUR 750 million. They consist of a coordinated system of rules, under a common framework, which ensures in-scope MNE groups pay at least the agreed minimum level of tax on the income arising in each of the jurisdictions in which they operate. The minimum level of tax may also be imposed locally under a qualified domestic minimum top-up tax. The STTR allows source jurisdictions to impose limited source taxation on certain related party payments that are subject to tax below a minimum rate.

### 2.2.1 Progress to date

The GloBE Model Rules<sup>4</sup> were finalised last December and the Commentary<sup>5</sup> was released in March 2022 together with worked examples illustrating their application to certain fact patterns. The release of the Model Rules and

Commentary allows Inclusive Framework members to begin implementing the rules in accordance with the common approach agreed in the 2021 October Statement.

Following a public consultation, which was held at the end of April 2022, the OECD/G20 Inclusive Framework commenced work on the GloBE Implementation Framework that will facilitate the co-ordinated implementation of the GloBE rules. The GloBE Implementation Framework will be used to establish a peer review process, produce further administrative guidance, agree a common filing and information exchange architecture, develop safe harbours to minimise compliance costs and provide capacity building and technical support to tax administrations.

### 2.2.2 Next steps

The GloBE Implementation Framework will be released in the second half of 2022. Work on the STTR has focussed on the development of a draft model tax treaty provision and its commentary, which is expected to be released for public comment later in the year.

4. OECD (2021), *Tax Challenges Arising from the Digitalisation of the Economy – Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS*, OECD, Paris, [www.oecd.org/tax/beps/tax-challenges-arising-from-the-digitalisation-of-the-economy-global-anti-base-erosion-model-rules-pillar-two.htm](http://www.oecd.org/tax/beps/tax-challenges-arising-from-the-digitalisation-of-the-economy-global-anti-base-erosion-model-rules-pillar-two.htm)

5. OECD (2022), *Tax Challenges Arising from the Digitalisation of the Economy – Commentary to the Global Anti-Base Erosion Model Rules (Pillar Two)*, OECD, Paris, [www.oecd.org/tax/beps/tax-challenges-arising-from-the-digitalisation-of-the-economy-global-anti-base-erosion-model-rules-pillar-two-commentary.pdf](http://www.oecd.org/tax/beps/tax-challenges-arising-from-the-digitalisation-of-the-economy-global-anti-base-erosion-model-rules-pillar-two-commentary.pdf)

### 3. Implementation of BEPS minimum standards

The OECD/G20 Inclusive Framework members continue to implement the BEPS minimum standards, which remain an important commitment of all members. Steady progress has been made and the review of the minimum standards, started in 2020 as foreseen in the 2015 BEPS Package, is ongoing. However, some of the work has been deferred to allow OECD/G20 Inclusive Framework members to focus on the swift implementation of the Two-Pillar Solution. These activities should resume in the second half of 2022.

### 3.1 ACTION 5 – COMBATTING HARMFUL TAX REGIMES

#### 3.1.1 Preferential regimes and exchanges on tax rulings

The Forum on Harmful Tax Practices (FHTP) has continued to review preferential tax regimes and the compliance by no or only nominal tax jurisdictions with the substantial activities requirement. It has also carried out the annual peer review of the transparency framework on the exchange of information on rulings under Action 5 of the BEPS minimum standards. At the same time, members of the OECD/G20 Inclusive Framework and jurisdictions of relevance<sup>1</sup> have continued to implement the changes required by the FHTP as part of its review of preferential tax regimes and its review of the substantial activities requirement for no tax or only nominal tax jurisdictions.

Since the beginning of the BEPS Action 5 peer reviews, the FHTP has reviewed over 300 preferential regimes and the substance legislation of 12 no tax or only nominal tax jurisdictions.<sup>2</sup> In addition, over 41 000 exchanges of information on tax rulings between governments have taken place to date, with peer reviews on tax rulings covering 131 jurisdictions. These reviews have helped bolster transparency as tax administrations continue to receive more information on tax rulings pertaining to their taxpayers' tax arrangements, including multinational enterprises, to identify and act to address any potential BEPS risks.

In January and June 2022, the OECD/G20 Inclusive Framework approved updated conclusions for respectively nine and thirteen preferential tax regimes. The conclusions were published in July 2022<sup>3</sup>.

#### 3.1.2 Transparency framework peer review

In December 2021, the OECD/G20 Inclusive Framework released its 2020 Peer Review Report<sup>4</sup> regarding the exchange of information on tax rulings under BEPS

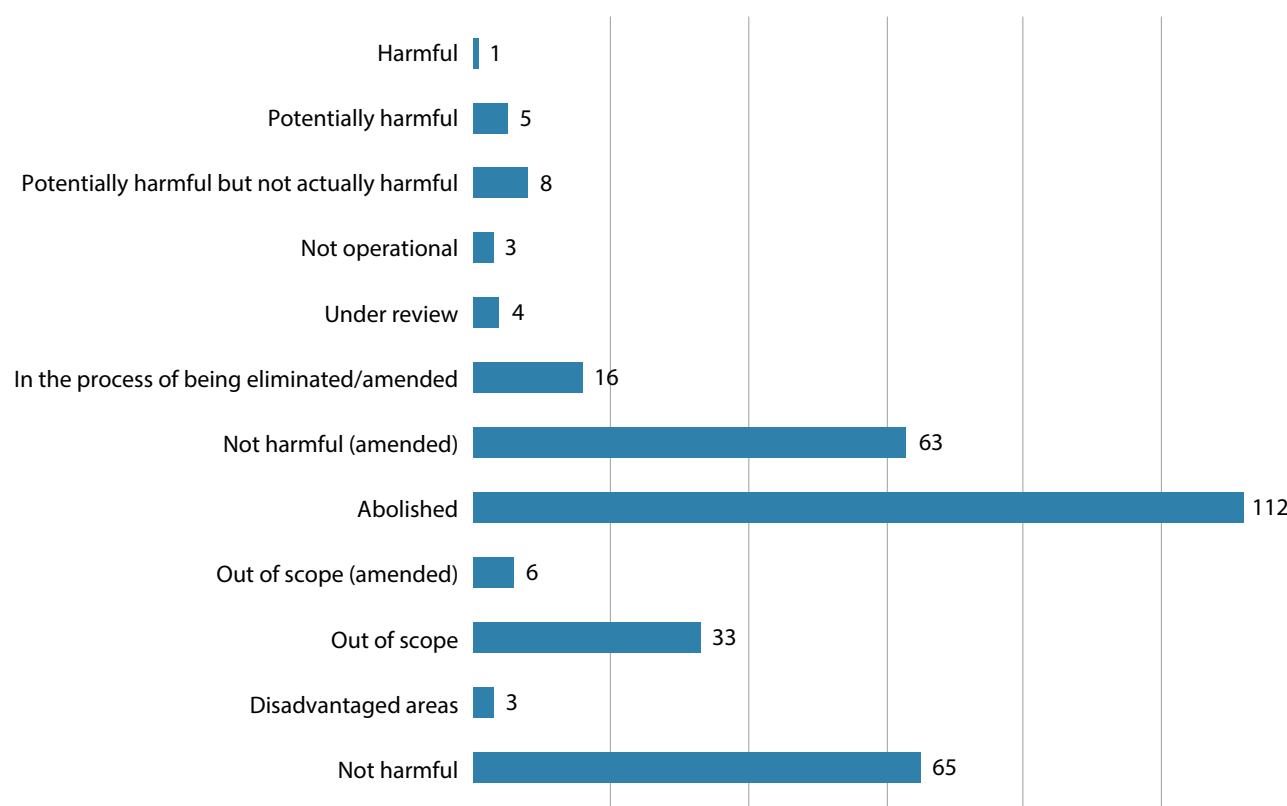
1. Non-members deemed as "jurisdictions of relevance" by members of the OECD/G20 Inclusive Framework.

2. Anguilla, Bahamas, Bahrain, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Guernsey, Isle of Man, Jersey, Turks and Caicos Islands, United Arab Emirates.

3. <https://www.oecd.org/tax/beps/harmful-tax-practices-peer-review-consolidated-results-on-preferential-regimes.pdf>

4. OECD (2021), *Harmful Tax Practices – 2020 Peer Review Reports on the Exchange of Information on Tax Rulings: Inclusive Framework on BEPS: Action 5*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/f376127b-en>

Figure 1. Overview of the status of all reviewed preferential regimes



Action 5. The review, which covered 131 jurisdictions, confirmed that 95 jurisdictions are now fully in line with the BEPS Action 5 minimum standard, with the remaining 36 jurisdictions receiving one or more recommendations to improve their legal or operational framework to identify and exchange the information with respect to the relevant tax rulings.

### 3.1.3 Annual reporting of compliance in no or only nominal tax jurisdictions

In April 2022, the FHTP concluded its first annual monitoring of the effectiveness in practice of the substantial activities requirements in no or only nominal tax jurisdictions. Based on the review, no issues with respect to the effectiveness in practice were identified for four of the twelve no or only nominal tax jurisdictions, whereas minor areas for improvement were identified for four jurisdictions and major improvements are needed in the remaining four jurisdictions. The full results of the first monitoring round were published in July 2022<sup>5</sup>.

### 3.1.4 Next steps

The FHTP will continue its review of preferential regimes, the effectiveness in practice of the substantial activities requirement in no or only nominal tax jurisdictions, and compliance with the transparency framework on tax rulings.

## 3.2 ACTION 6 – PREVENTION OF TAX TREATY ABUSE AND COUNTERING TREATY SHOPPING

### 3.2.1 Progress to date

In March 2022, the fourth peer review report on the implementation of the Action 6 minimum standard on treaty shopping was published,<sup>6</sup> following the approval by the OECD/G20 Inclusive Framework on 9 February. The peer review was carried out in accordance with a revised peer review methodology, which calls for assistance to be given to a member jurisdiction to bring its non-compliant agreements that could, on the jurisdiction's own assessment, create treaty-shopping opportunities. This new methodology has allowed

5. <https://www.oecd.org/tax/beps/harmful-tax-practices-peer-review-results-on-preferential-regimes.pdf>

6. OECD (2022), *Prevention of Tax Treaty Abuse – Fourth Peer Review Report on Treaty Shopping: Inclusive Framework on BEPS: Action 6*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/3dc05e6a-en>



### Box 1. Key facts on the Multilateral Instrument

- The MLI covers 99 jurisdictions, of which 77 have ratified
- The MLI is in effect for over 890 treaties and will modify around 1 850 treaties once fully ratified
- The principal purpose test (PPT) will be included in all modified agreements (Action 6)
- 33 covered jurisdictions have adopted Part VI of the MLI (mandatory binding arbitration), modifying about 250 covered tax agreements that will include the MLI mandatory binding arbitration provisions

jurisdictions to report on progress with greater detail. The report shows that the level of compliance has more than doubled since last year. The report also shows that around 2 300 of 2 400 tax treaties concluded between the members should become compliant with the minimum standard in a near future. The 2022 Action 6 peer review process was launched in March 2022 and is currently underway.

#### 3.2.2 The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI)

The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI) covers 99 jurisdictions and around 1 850 bilateral tax treaties.<sup>7</sup> To date, the BEPS MLI has already started to modify the bilateral treaties concluded among 77 jurisdictions that have ratified it and an additional 940 treaties will be modified once the MLI is ratified by all signatories, thereby modifying around 1 850 treaties worldwide.

### 3.3 ACTION 13 – COUNTRY-BY-COUNTRY REPORTING

#### 3.3.1 Progress to date

In October 2021, the OECD/G20 Inclusive Framework released the fourth phase of peer reviews under the Action 13 minimum standard regarding Country-by-Country (CbC) reporting.<sup>8</sup> This is the first phase of peer reviews to be completed since the OECD/G20 Inclusive Framework agreed a new methodology for the peer review in October 2020. As the October 2021 report makes clear, implementation of CbC reporting is well underway and tangible progress has been made on multiple fronts, with more jurisdictions introducing domestic legislation to require CbC reporting, and those with existing legislation taking steps to put exchange relationships in place and address recommendations from earlier peer reviews.

The first exchanges of CbC reports began in June 2018 and more than 3 200 bilateral relationships for CbC exchanges are now in place between 83 jurisdictions. Over 100 jurisdictions have now introduced legislation to impose a filing obligation on MNE groups, covering almost all MNEs with consolidated group revenue at

7. See: <http://oe.cd/mli>

8. OECD (2021), *Country-by-Country Reporting – Compilation of 2021 Peer Review Reports: Inclusive Framework on BEPS: Action 13*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/73dc97a6-en>.

or above the EUR 750 million threshold. Furthermore, since the previous peer review report was released in September 2020, jurisdictions have taken steps such that over 40 recommendations and monitoring points have been addressed and removed.

Confidentiality and appropriate use of the CbCR information have both been priorities of the work on Action 13, and the latest phase of peer reviews found that of the jurisdictions reviewed, 89 have undergone an assessment by the Global Forum on Transparency and Exchange of Information for Tax Purposes with respect to confidentiality and data safeguards in the context of implementing the Automatic Exchange Of Information (AEOI) standard. Furthermore, the report found that 84 jurisdictions have provided sufficiently detailed information to enable the OECD/G20 Inclusive Framework to obtain assurance that measures are in place to ensure the appropriate use of CbC reports.

### 2020 Action 13 Review

The BEPS Action 13 Final Report included a mandate to review the minimum standard by the end of 2020. Following work initiated in late 2018, a public consultation document, including an analysis of 15 issues related to the scope of CbC reporting and the content of CbC reports was released in February 2020 and an online public

consultation meeting, which included around 270 business and civil society participants, was held in May 2020. Since then, the work on the 2020 Action 13 review has been suspended temporarily to allow OECD/G20 Inclusive Framework members and the OECD Secretariat to give priority to implementation of the Two-Pillar Solution. The review of the Action 13 minimum standard will be taken up after further progress on that work.

### 3.3.2 Next Steps

Developing countries continue facing significant challenges in meeting the CbC reporting requirements and only a few of them are currently able to receive CbC reports from abroad. This issue was raised in the context of the stock-take done in 2021 to assess how developing countries have benefitted from the Inclusive Framework. One of the key recommendations to come out of that exercise was that “All stakeholders should reflect on how Country-by-Country reporting could be made more accessible to developing countries, while also protecting confidentiality of sensitive information.” (see section 5.1 of the 2021 stock-take report). Accordingly, capacity building and technical assistance efforts need to be upgraded to reduce barriers to implementation. This would be particularly important as regards to putting in place legal mechanisms to receive CbC reports from abroad, as well as measures to ensure the appropriate and effective use of CbC reporting information once received.



The fifth annual peer review of the implementation of CbC reporting is currently underway, and the outcomes of this review will be released in the third quarter of 2022. Work on the 2020 review of BEPS Action 13 will resume in the fourth quarter of 2022.

### 3.4 ACTION 14 – MULTILATERAL AGREEMENT PROCEDURES (MAP)

#### 3.4.1 Progress to date

Action 14 seeks to improve the resolution of tax-related disputes between jurisdictions. OECD/G20 Inclusive Framework jurisdictions have committed to be reviewed and monitored by their peers through a robust peer review process that seeks to increase efficiencies and improve the timeliness of dispute resolution where taxation is not in accordance with the tax treaties.

#### *Action 14 Peer reviews*

The assessment methodology of the BEPS Action 14 peer review established a two-stage approach to peer review and monitoring of the implementation of the Action 14 minimum standard. Stage 1 involves the review of an assessed jurisdiction's implementation of the minimum standard based on its legal framework for MAP and the application of this framework in practice (Stage 1 Peer Review). Stage 2 involves the review of the

measures taken by the assessed jurisdiction to address any shortcomings identified in its Stage 1 Peer Review (Stage 2 Peer Monitoring). Stage 1 Peer Review and Stage 2 Monitoring reports have been published in batches (10 in total), following an assessment schedule<sup>9</sup> established by the FTA MAP Forum.

Steady progress has been made since the peer reviews' inception, and the Stage 1 peer reviews were already completed as of February 2021. Concerning Stage 2, the "batch 9" peer monitoring reports were released in April 2022, showing the efforts that the nine jurisdictions<sup>10</sup> in this batch have made to be comply with the BEPS Action 14 minimum standard. The FTA MAP Forum further approved the Stage 2 peer review monitoring reports of the final batch ("batch 10"), comprising of 13 jurisdictions<sup>11</sup>, in June 2022. Following the approval by the OECD/G20 Inclusive Framework, these reports were released in September 2022. In total, 82 jurisdictions were reviewed under both Stage 1 and Stage 2.

#### *2020 Action 14 Review*

The work on the 2020 Action 14 review has been suspended temporarily to allow OECD/G20 Inclusive Framework members and the OECD Secretariat to give priority to implementation of the Two-Pillar Solution. The review of the Action 14 minimum standard will be taken up after further progress on that work. Discussions on the review of the Assessment Methodology and the MAP Statistics Reporting Framework have resumed as from June 2022.

#### 3.4.2 NEXT STEPS

There is still work to be done to bring the tax treaties of reviewed jurisdictions in line with the Action 14 minimum standard. Many of the assessed jurisdictions have, however, made substantial progress in updating their treaty networks, including through the prioritisation of tax treaty negotiations when treaties are not expected to be modified by the MLI. Once the new Assessment Methodology has been approved, peer reviews will be carried out on the basis of that methodology.

9. <https://www.oecd.org/tax/beps/beps-action-14-peer-review-assessment-schedule.pdf>

10. Andorra, Bahamas, Bermuda, British Virgin Islands, Cayman Islands, Faroe Islands, Macau (China), Morocco and Tunisia.

11. Aruba, Bahrain, Barbados, Gibraltar, Greenland, Kazakhstan, Oman, Qatar, Saint Kitts & Nevis, Thailand, Trinidad and Tobago, United Arab Emirates, Viet Nam.



## 4. Progress on other BEPS Actions



Steady progress has also been made on the other BEPS Actions, which remain important to fully address base erosion and profit shifting. Key areas of focus over the last year have been the VAT/ GST aspects of BEPS Action 1 and BEPS Actions 8-10, in particular through the release of the 2022 edition of the *OECD Transfer Pricing Guidelines*.

#### 4.1 VAT CHALLENGES OF THE DIGITAL ECONOMY

The OECD's standards and guidance on the application of VAT to digital trade have continued to influence VAT reform in countries worldwide. Over 100 countries have already implemented these standards or are in the process of doing so to ensure the proper collection of VAT on the continuously growing volumes of e-commerce sales. These core VAT standards and principles were included in the 2015 Final Report on BEPS Action 1 "Addressing the Tax Challenges of the Digital Economy" and in the International VAT/GST Guidelines.<sup>1</sup> They were subsequently complemented with detailed technical guidance to support their effective and consistent implementation, including on mechanisms for the collection of VAT from foreign online vendors, on the VAT treatment of electronic marketplaces and other digital platforms, and on the collection of VAT on imports of low-value goods from online sales. This guidance has now been complemented with a detailed report on the design of policies to ensure the efficient application of VAT to the growing sharing and gig economy.

There is growing evidence that the standards and principles embodied in the International VAT/GST Guidelines have been a substantial success story with countries that have implemented the standards reporting high levels of compliance among international businesses and the collection of considerable additional VAT revenues (see Figure 2 on page 16).

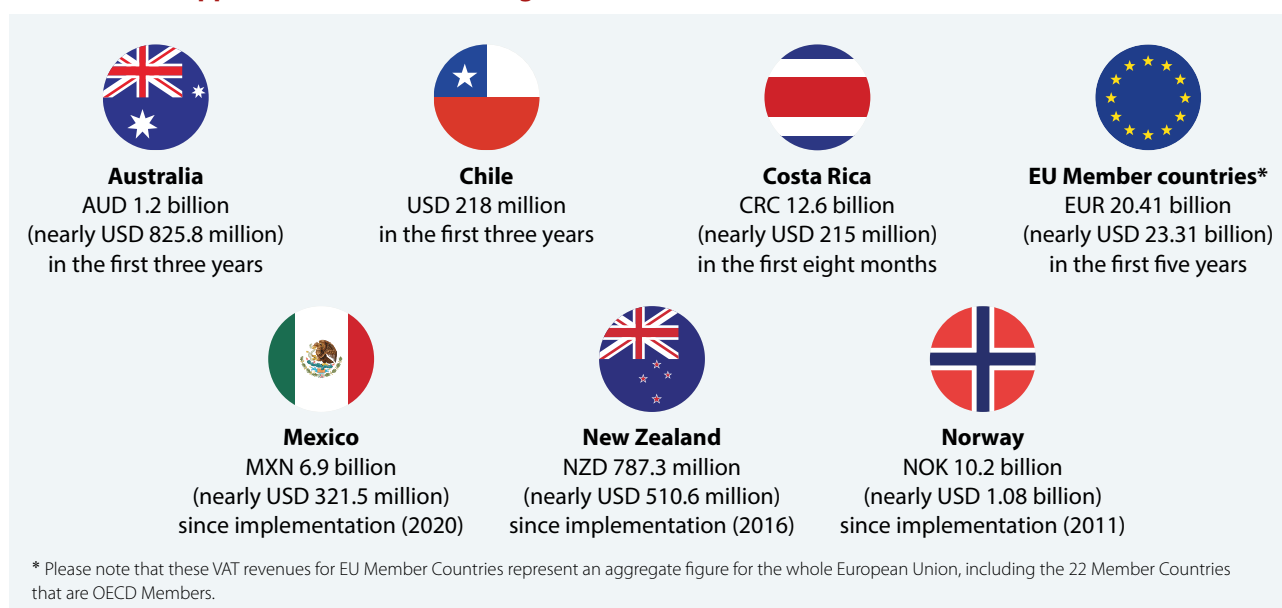
The OECD is further expanding its work to assist developing countries and emerging economies with the implementation of VAT reform to address the challenges of digital trade. It released VAT Digital Toolkits for Latin America and the Caribbean (LAC)<sup>2</sup> in June 2021 and for the Asia Pacific (APAC) Region<sup>3</sup> in March 2022. These Toolkits were developed by the OECD in close partnership with the World Bank Group (WBG) and with key regional partners (the Inter-American Development Bank and the Inter-American Centre of Tax Administrations for LAC and the Asian Development

1. OECD (2017), *International VAT/GST Guidelines*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264271401-en>

2. OECD/WBG/CIAT/IDB (2021), *VAT Digital Toolkit for Latin America and the Caribbean*, OECD, Paris, <https://www.oecd.org/tax/consumption/vat-digital-toolkit-for-latin-america-and-the-caribbean.htm>

3. OECD/WBG/ADB (2022), *VAT Digital Toolkit for Asia-Pacific*, OECD, Paris, <https://www.oecd.org/tax/consumption/vat-digital-toolkit-for-asia-pacific.htm>

**Figure 2. Overview of revenue results\* from the implementation of measures to collect VAT on online international supplies of services and intangibles**



Bank for APAC). The VAT Digital Toolkit for Africa (developed in collaboration with WBG and the African Tax Administration Forum) will be released in the second half of 2022. The OECD is now rolling out a new programme for bespoke technical assistance to complement the VAT Digital Toolkits, to support interested countries with the implementation of VAT reform directed at e-commerce and digital trade.

## 4.2 ACTIONS 8-10 – TRANSFER PRICING GUIDELINES AND HARD TO VALUE INTANGIBLES

### 4.2.1 2022 Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations

The OECD Transfer Pricing Guidelines provide guidance on the application of the “arm’s length principle”, which represents the international consensus on the valuation, for income tax purposes, of cross-border transactions between associated enterprises. In today’s economy where multinational enterprises play an increasingly prominent role, transfer pricing continues to be high on the agenda of tax administrations and taxpayers alike. Governments need to ensure that the taxable profits of MNEs are not artificially shifted out of their jurisdiction and that the tax base reported by MNEs in their country

reflects the economic activity undertaken therein and taxpayers need clear guidance on the proper application of the arm’s length principle. The 2015 Final Report on BEPS Actions 8-10<sup>4</sup> focused on this objective, aiming also to realign profits with value creation.

The 2015 Final Report on BEPS Actions 8-10 called for a continuation of the work to develop guidance to ensure that transfer pricing outcomes are aligned with value creation. That mandate resulted in three reports, the content of which has now been incorporated into the *OECD Transfer Pricing Guidelines*, including a new chapter on Financial Transactions. The 2022 edition of the *Transfer Pricing Guidelines*<sup>5</sup> consolidates into a single publication the changes to the 2017 edition of the *Transfer Pricing Guidelines* resulting from these reports and adopted by the OECD/G20 Inclusive Framework on BEPS since 2017. These are as follows:

- The report *Revised Guidance on the Transactional Profit Split Method*,<sup>6</sup> approved by the OECD/G20 Inclusive Framework on 4 June 2018, has replaced the guidance in Chapter II, Section C (paragraphs 2.114-2.151) of the 2017 *Transfer Pricing Guidelines* and Annexes II and III to Chapter II;

4. OECD (2015), *Aligning Transfer Pricing Outcomes with Value Creation, Actions 8-10 - 2015 Final Reports*, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris, <https://doi.org/10.1787/9789264241244-en>.

5. OECD (2022), *OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2022*, OECD Publishing, Paris, <https://doi.org/10.1787/0e655865-en>.

6. <https://www.oecd.org/tax/beps/revised-guidance-on-the-application-of-the-transactional-profit-split-method-beps-action-10.pdf>



- The report *Guidance for Tax Administrations on the Application of the Approach to Hard-to-Value Intangibles*,<sup>7</sup> approved by the OECD/G20 Inclusive Framework on 4 June 2018, has been incorporated as Annex II to Chapter VI;
- The report *Transfer Pricing Guidance on Financial Transactions*,<sup>8</sup> approved by the OECD/G20 Inclusive Framework on 20 January 2020, has been incorporated into Chapter I (new Section D.1.2.2) and in a new Chapter X;
- The 2022 edition of the *Transfer Pricing Guidelines* also introduces conformity changes throughout the document for consistency.

#### 4.2.2 Implementation of the Hard to Value Intangibles (HTVI) approach

As noted above, one of the objectives of the 2015 BEPS Report on Actions 8, 9 and 10 was to ensure that the profits of MNEs better align with economic activity and value creation. This work resulted in expanded guidance in Chapter VI of the *OECD Transfer Pricing Guidelines* on an approach that protects tax administrations from the negative effects of information asymmetry by ensuring appropriate pricing of hard-to-value intangibles (HTVI). In 2018, additional guidance addressed to tax administrations on the application of the approach to HTVI was also incorporated into the *Transfer Pricing Guidelines* as an annex to Chapter VI.

Under the general mandate in the 2015 BEPS Report on Actions 8, 9 and 10, a monitoring process was agreed specifically for the application of the HTVI approach by jurisdictions. The first phase of this process was launched in 2019 and it has gathered information from 40 jurisdictions on their legislation and practices related to the HTVI approach. This information was publicly released on the OECD website in December 2020.

Together with the information contained in the transfer pricing country profiles, currently there is information on the state of implementation of the HTVI approach in 73 jurisdictions.<sup>9</sup> This information provides tax administrations, taxpayers and other stakeholders with a better understanding of the extent to which the HTVI approach is being adopted and applied in practice by jurisdictions around the world. This information has the potential to increase tax certainty by reducing misunderstandings and disputes between governments, as well as with taxpayers.

To date, the HTVI approach can be applied by tax administrations in more than one fourth of the jurisdictions for which information is available. While some of these jurisdictions have adopted specific domestic legislation governing the transfer pricing aspects of transactions involving HTVI, most of them can apply the HTVI approach directly as described in the *OECD Transfer Pricing Guidelines*.

7. <https://www.oecd.org/tax/transfer-pricing/guidance-for-tax-administrations-on-the-application-of-the-approach-to-hard-to-value-intangibles-BEPS-action-8.pdf>

8. <https://www.oecd.org/tax/beps/transfer-pricing-guidance-on-financial-transactions-inclusive-framework-on-beps-actions-4-8-10.pdf>

9. Transfer pricing laws and practices in Inclusive Framework members are regularly published on the OECD website through the Transfer Pricing Country Profiles. As of now, the profiles of 69 OECD/G20 Inclusive Framework members that have a transfer pricing system in place have been published. These profiles contain detailed information on countries' domestic legislation and practice regarding the application of the arm's length principle, including the methods, the comparability analysis, documentation, administrative approaches to avoiding and resolving disputes and transfer pricing aspects of intangible property, intra-group services, cost contribution agreements or financial transactions. The information contained in the Transfer Pricing Country Profiles reflects the current state of countries' legislation and indicates to what extent their rules follow the *OECD Transfer Pricing Guidelines* and the guidance developed under the BEPS Report on Actions 8-10.

### 4.3 ACTION 11 – CORPORATE TAX STATISTICS AND AGGREGATED AND ANONYMISED COUNTRY-BY-COUNTRY REPORTING DATA

The annual delivery of the Corporate Tax Statistics database, which was first launched in January 2019, has become an important legacy of the BEPS Action 11 work. The database supports improved economic analysis of corporate tax policy and has already begun to improve the quality and expand the range of data available for the analysis of BEPS. The database contains information on more than 100 jurisdictions, and presents data across several main areas: corporate tax revenues, corporate tax rates, and tax incentives related to R&D and innovation. Recent editions have continued to expand the coverage of information on corporate tax revenues and rates, while also expanding the scope of the database, with new data on controlled foreign company (CFC) rules, interest limitation rules, and tax incentives related to R&D and innovation.

Anonymised and aggregated Country-by-Country Report (CbCR) statistics represent an important new data

source that has been collected and published as part of the Corporate Tax Statistics database. While CbCR data was first released in the second edition of the database in July 2020, the coverage of CbCR data has expanded significantly, from 35 jurisdictions and 4100 reports initially, to 38 jurisdictions and 6 000 CbCRs in the third edition in 2021.

The fourth edition of *Corporate Tax Statistics*, to be released in September 2022, will further expand the coverage of CbCR statistics, with at least 45 jurisdictions reporting, covering around 6 600 CbCRs. This increase in the coverage of this important data source will support improved economic analysis of the corporate income tax and will aid with the ongoing analysis of BEPS and the impact of measures introduced to address tax avoidance. The fourth edition of *Corporate Tax Statistics* will also contain new data on withholding tax rates.



## 5. Support for developing countries

For developing countries, domestic resource mobilisation to support their own development needs is a key part of the Sustainable Development Goals. The impact of the COVID-19 pandemic over the past years, and the economic challenges brought on by the war in Ukraine, has put even more strain on fragile fiscal positions in developing countries. Although the stakes are high for governments around the world (OECD and non-OECD alike), for developing countries, addressing BEPS is of particular significance as they rely more heavily on corporate income tax than developed countries do, particularly from multinational enterprises.

### 5.1 DEVELOPING COUNTRIES AND THE OECD/G20 INCLUSIVE FRAMEWORK

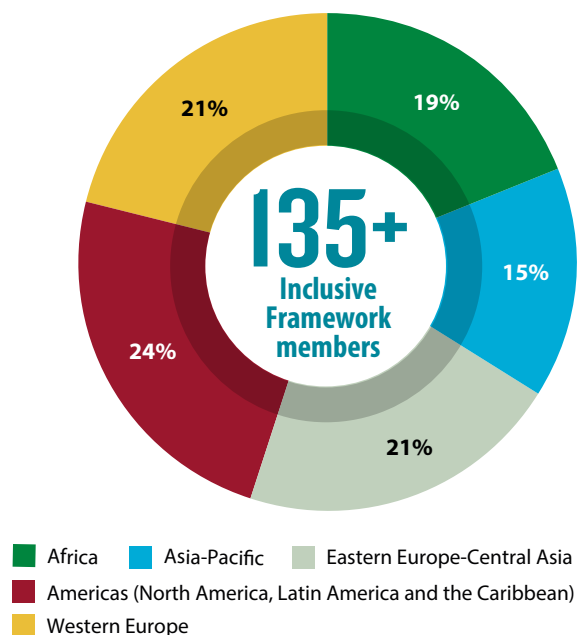
The OECD/G20 Inclusive Framework on BEPS was established in 2016 to allow developing countries to participate on an equal footing in the work on implementing the BEPS measures and in the rule-making to finalise the BEPS work, including on the tax challenges arising from the digitalisation of the economy.

The strength of the OECD/G20 Inclusive Framework rests on the global participation of diverse groups of countries, including 69 developing countries at the end of 2021. Since last year's report, Mauritania has joined the OECD/G20 Inclusive Framework. The OECD/G20 Inclusive Framework membership, and the Steering Group, are representative of the different regions and levels of development.

With 2021 marking five years since the establishment of the OECD/G20 Inclusive Framework, the OECD was mandated by the Italian G20 presidency to take stock of the progress made by developing countries in terms of BEPS implementation and their participation in the Inclusive Framework. The report, *Developing Countries and the OECD/G20 Inclusive Framework on BEPS* (the G20 Report), presented to the G20 Finance Ministers and Central Bank Governors Meeting in October 2021, benefitted from wide consultation with 675 participants from 155 jurisdictions, and contained 10 recommendations covering rules, guidance, capacity building, governance, and the future of the OECD/G20 Inclusive Framework (see Box 2 on page 20 for more information).

In line with the recommendation in the G20 Report for regular assessments of progress, a Symposium on Tax and Development was held on 14 July 2022, under the Indonesian G20 presidency, in the margins of the G20 Finance Ministers' meeting in Bali. This symposium focussed on the progress made by the G20 in ensuring developing country participation in the design and implementation of international tax standards, and the coordination in implementing the Two-Pillar Solution and its impact on tax incentives and domestic resource mobilisation.

Figure 3. OECD/G20 Inclusive Framework membership



## Box 2. Developing countries and the OECD/G20 Inclusive Framework on BEPS

### Stocktake on BEPS implementation by developing countries

- Developing countries have played their part in securing the integrity of the international tax system, taking action to meet the BEPS minimum standards.
- Feedback from developing countries indicated strong overall support for the BEPS agenda, though some noted that the original BEPS Actions may not reflect their highest priorities.
- Developing countries reported that addressing the tax challenges of the digitalisation of the economy is key:
  - Almost all developing country members have aligned themselves with the 2021 October Statement. The terms of the agreement were significantly influenced by developing countries' active involvement in the negotiation process.
  - In the sphere of indirect taxes, 60% of developing countries in the OECD/G20 Inclusive Framework were already implementing or considering implementing the VAT/ GST measures on e-commerce at the time of the stocktake.
- Most developing countries remain on a steep learning curve, with the result that they may not yet be fully benefiting from the BEPS Actions. For example, at the time of the stocktake (1 June 2021), only 3 developing countries were able to receive Country-by-Country reports from abroad (this had increased to 5 countries as of March 2022.)
- Nevertheless, the stocktake found developing countries have made progress in strengthening their tax systems, particularly in areas they consider to be their highest priorities, such as addressing excessive interest deductions (BEPS Action 4), artificial avoidance of permanent establishment status (Action 7), and transfer pricing (Actions 8-10).
- An update to the Report, focusing on developing countries' progress and providing a roadmap for the future will be presented at the October G20 Finance Ministers' meeting.

### Key recommendations of the Report to the G20 on Developing Countries and the OECD/G20 Inclusive Framework

- In order to ensure the OECD/G20 Inclusive Framework coalition remains strong and meets the needs of all of its members, further assessments on the progress of developing countries should be conducted on a regular basis.
    - The ministerial roundtable discussion hosted by Minister Nigel Clarke of Jamaica in November 2021 underlined the importance of this ongoing assessment and dialogue.
  - All stakeholders should reflect on how Country-by-Country reporting could be made more accessible to developing countries, while also protecting confidentiality of sensitive information.
  - Development partners should support a major OECD/G20 Inclusive Framework initiative to provide capacity building support and technical assistance to ensure developing countries can adopt and implement the Pillar One and Pillar Two measures in an appropriate and timely fashion.
  - Inclusive Framework stakeholders should reflect on governance arrangements to ensure a broad and systematic inclusion of developing countries.
- In this respect, significant progress has already been made in 2022:
- The Inclusive Framework has elected Marlene Nembhard-Parker of Jamaica as its inaugural co-chair with the objective for the leadership of the OECD/G20 Inclusive Framework to be more inclusive and as part of efforts to ensure that developed and developing countries advance together in a more balanced global tax system.
  - The Advisory Group for Global Dialogue on Tax Matters has been reinvigorated and its mandate updated. It brings together developed and developing countries to exchange views and acts as a platform to support developing countries' input to the work of the OECD/G20 Inclusive Framework.
  - The OECD/G20 Inclusive Framework should consider developing countries' priorities for multilateral dialogue to address issues beyond BEPS, such as environmental taxation, indirect taxation on e-commerce, and tax administration issues, which could benefit from the multilateral approach facilitated by the Inclusive Framework.

## 5.2 DEVELOPING COUNTRIES' PROGRESS ON MINIMUM STANDARDS PEER REVIEWS

The OECD provides a broad range of capacity building activities to developing country members of the OECD/G20 Inclusive Framework. This includes bilateral support on the implementation of the BEPS Actions (in particular, the minimum standards) through its induction programmes (there are currently 43 induction programmes on-going), bilateral and multilateral training, as well as e-learning and other knowledge resources, through the Global Relations Programme on Tax (thereafter, "GRP"). The OECD/UNDP Tax Inspectors Without Borders initiative (TIWB) plays a key role in supporting audit capacity, particularly in transfer pricing cases.

An important part of the support provided by the OECD has been in fostering dialogue and inclusivity through regional events. In 2021, in the lead up to the 2021 October Statement, two rounds of consultations were held: the first round, consisted of six regional consultations, held between May and July 2021 bringing together a total of 675 participants from 155 jurisdictions all over the world; the second round, covering five regional consultations, was held in September 2021 bringing together more than 650 participants from 135 jurisdictions.

Following the 2021 October Statement, as well as the recommendations in the report to the G20 to increase the focus on regional dialogue, further regional consultations have been planned to support developing countries in the next phase of the negotiations. The 7th Regional Meeting on BEPS for Eurasian Countries took place in November 2021, with over 100 delegates participating virtually from 18 Eurasian jurisdictions, in addition to participants from business, academia, and international organisations.

Data from the 2021 peer reviews shows that developing countries continued to make progress in implementing the four minimum standards. For example, five developing countries<sup>1</sup> made the improvements needed to have outstanding recommendations on the transparency framework under Action 5 removed. This means that currently, of 65 developing countries peer reviewed on Action 5, 40 of them are fully compliant. The 2022 peer review, looking at the implementation in 2021, is currently ongoing and will be completed by the end of the year. In the past year, 13<sup>2</sup> countries passed legislation and regulations to implement BEPS measures in 2021. These include:

1. Malaysia, Mexico, Morocco, Saint Lucia and Turkey.

2. Benin, Brazil, Burkina Faso, Honduras, Jamaica, Kazakhstan, Kenya, Mongolia, Rwanda, Senegal, Sierra Leone, Ukraine and Zambia.

### Box 3. Progress on Tax Inspectors Without Borders

The OECD/UNDP Tax Inspectors Without Borders (TIWB) initiative provides niche support by matching experienced tax auditors with developing country tax administrations to assist with concrete cases, particularly on transfer pricing audits and has generated more than USD 1.7 billion in additional tax revenues and USD 3.9 billion in additional tax assessed by developing countries across Africa, Asia, Eastern Europe, Latin America and the Caribbean. The TIWB initiative continues to flourish, with the 100th TIWB programme having started in January 2022. To date, TIWB programmes span 54 jurisdictions with 55 completed and 50 current programmes, including 20 South-South programmes.

Owing to the success of the audit programmes, the TIWB model has been expanded to cover criminal tax

investigations, a crucial element in the global fight against illicit financial flows. The initiative is also exploring pilot opportunities for programmes on the effective use of automatic exchange of financial account information and digitalisation of tax administrations. This will mainly include high-level, strategic advice provided by TIWB experts to senior tax administration officials.

Going forward, TIWB will continue to explore opportunities to support developing countries effectively apply their tax laws, including through the implementation of the Two-Pillar Solution.



- Kenya replaced its debt to equity thin capitalisation legislation with new interest limitation rules based on the ATAF suggested approach to drafting interest deductibility legislation and the BEPS Action 4 recommended approach;
- Zambia enacted CbC reporting regulations based on the model legislation in the BEPS Action 13 report;
- Kazakhstan adopted the primary law to implement the BEPS Action 5 recommendations;
- Benin passed secondary legislation on transfer pricing, documentation and CbC reporting in May 2021; and
- Ukraine developed administrative guidance on transfer pricing treatment of commodity transactions.

### 5.3 SUPPORTING THE IMPLEMENTATION OF THE TWO-PILLAR SOLUTION

The effective implementation of the Two-Pillar Solution will be important to support domestic resource mobilisation in developing countries. The Detailed Implementation Plan that was part of the 2021 October

Statement included a commitment that bespoke technical assistance will be available to developing countries to support all aspects of implementation and is also identified as a priority in the G20 Report. This support will have to be balanced with developing countries' needs and their other tax policy priorities, including the continuing work on implementing the original BEPS Package, maintaining fiscal balances in the aftermath of the COVID-19 pandemic and dealing with pressing issues such as healthcare, climate change and the informal sector.

At the moment, OECD/G20 Inclusive Framework members need help participating in the immediate work of finalising the technical work on the Two-Pillar Solution, which is being done on an ad hoc basis bilaterally as well as through multilateral regional events. Once the rules and instruments for the implementation of the Two-Pillar Solution are finalised, support will have to be geared more towards bespoke assistance on a bilateral basis to implement the rules into domestic law and to facilitate timely signature and ratification of the necessary legal instruments. Finally, the OECD will have to provide assistance in putting the rules into practice.



Building on the strong success of the existing capacity building programmes<sup>3</sup>, the technical assistance plan will be delivered through a number of different modalities:

- **Regular briefing and updates to keep members informed of developments** – this has already commenced, building on the regional consultations held in the lead up to the 2021 July and October Statements, five consultations held in January 2022 which brought together 675 delegates from 124 jurisdictions, and a fourth round of regional events took place in May/June 2022.
- **Training on the requirements of Pillars One and Two and in-depth seminars on specific aspects** – the GRP has delivered three virtual classes on the “Tax challenges and opportunities arising from digitalisation” covering the Two-Pillar Solution. Three further classes on this topic will be delivered in the second half of 2022. In addition, Q&A sessions will be scheduled to address specific questions that may arise with regard to the topics covered in the virtual classes and recorded webinars.
- **Bilateral assistance, including a new round of induction programmes** – the formal launch of new induction programmes will take place once the rules for the Two-Pillar Solution are finalised, but discussions with OECD/G20 Inclusive Framework members on an ad hoc basis as well as the input received from the regional consultations shows a high demand for this type of assistance.
- **E-learning and other knowledge resources<sup>4</sup>** – the GRP has produced a video capsule on the background of the project on digitalisation, as well as two recorded webinars providing an overview for each of the pillars. Additional webinars are being prepared on some of the building blocks of Pillar One and on the scope and the key operative aspects of the GloBE Rules. In addition, the Platform for Collaboration on Tax plans to update its toolkit on *Options for Low Income Countries Effective and Efficient Use of Tax Incentives for Investment*, which was published in 2015,

to take account of the latest developments including the introduction of Pillar Two, to ensure that it continues to be a useful reference for developing countries.

- **TIWB programmes to support practical implementation of Pillars One and Two** – TIWB is assessing the opportunity to support developing countries with the implementation of the Two-Pillar Solution. This type of assistance will be a priority once the rules have come into effect and tax administrations are facing the challenges of applying them in practice; there is also scope for TIWB to support work on tax incentives.

In addition to direct support on the implementation of the Two-Pillar Solution, developing countries need support in two related areas: VAT and tax incentives. Given the importance of VAT as one of the main revenue sources in many developing countries, often representing 30% or more of total tax revenues, the implementation of reforms to secure the collection of VAT on e-commerce consistent with the principles established in BEPS Action 1 is now a key priority for many, if not most, of these economies. Regarding tax incentives, if developing countries have policies that lead to effective tax rates below the minimum rate, then they may wish to reform their domestic tax provisions to remove or curtail these incentives (after taking into account the substance based carve-out) and in the process collect tax revenue that would otherwise be captured by other jurisdictions applying the GloBE Rules. A capacity building programme targeted at helping developing countries conduct the analysis and draft appropriate rules is being developed.

3. OECD (2021), *Tax Co-operation for Development: Progress report in the COVID-19 era*, OECD, Paris, <https://www.oecd.org/tax/tax-global/tax-co-operation-for-development-progress-report-on-2020.pdf>

4. To consult the learning products on Pillar One and Two: visit the Knowledge Sharing Platform

## FURTHER READING

Overview of the OECD's work on BEPS:

[www.oecd.org/tax/beps](http://www.oecd.org/tax/beps)

OECD (2021), *Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy – October 2021*, OECD/G20 Inclusive Framework on BEPS, OECD, Paris. <https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-20from-the-digitalisation-of-the-economy-october-2021.pdf>

OECD (2022), *Progress Report on Amount A of Pillar One, Two-Pillar Solution to the Tax Challenges of the Digitalisation of the Economy*, OECD/G20 Base Erosion and Profit Shifting Project, OECD, Paris. <https://www.oecd.org/tax/beps/progress-report-on-amount-a-of-pillar-one-july-2022.pdf>

OECD (2021), *Developing Countries and the OECD/G20 Inclusive Framework on BEPS: OECD Report for the G20 Finance Ministers and Central Bank Governors, October 2021*, Italy, OECD, Paris. <https://www.oecd.org/tax/beps/developingcountries-and-the-oecd-g20-inclusive-framework-on-beps.htm>

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OECD (2022), *OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2022*, OECD Publishing, Paris.

<https://doi.org/10.1787/0e655865-en>

OECD (2019), *Programme of Work to Develop a Consensus Solution to the Tax Challenges Arising from the Digitalisation of the Economy*, OECD/G20 Inclusive Framework on BEPS, OECD, Paris. <https://www.oecd.org/tax/beps/programme-of-work-to-develop-a-consensus-solution-to-the-tax-challenges-arising-from-the-digitalisation-of-the-economy.htm>

OECD (2015), *Base Erosion and Profit Shifting, 2015 Final Reports*, OECD Publishing, Paris. [https://www.oecd-ilibrary.org/taxation/oecd-g20-base-erosion-and-profit-shifting-project\\_23132612](https://www.oecd-ilibrary.org/taxation/oecd-g20-base-erosion-and-profit-shifting-project_23132612)

This is the sixth annual progress report of the OECD/G20 Inclusive Framework on BEPS. This report sets out an overview of the progress made by the OECD/G20 Inclusive Framework, covering the period from September 2021 to September 2022. The report contains an overview (part 1) and four sections of substantive content. Part 2 reports on the implementation of the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy agreed in October 2021. Part 3 focuses on the implementation of the BEPS minimum standards and Part 4 on the other BEPS Actions. Finally, Part 5 provides an update on activities undertaken to support the Inclusive Framework developing countries.



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